

Minutes*

Senate Committee on Finance and Planning
Tuesday, January 11, 1994
3:15 - 5:00
Room 238 Morrill Hall

Present: Irwin Rubenstein (chair), David Berg, David Dahlgren, Mark Davison, William Gerberich, Karen Geronime, Michael Hoey, Karen Karni, Craig Kissock, Gerald Klement, Fred Morrison, Roger Paschke, Richard Pfitzenreuter, Doris Rubenstein, William Rudelius, Thomas Scott, Mary Sue Simmons, Albert Yonas

Regrets: Mary Askelson

Absent: Susan Torgerson, Dianne Van Tasell

Guests: Vice President Eugene Allen, Robert Super (Budget and Finance Office)

Others: Ken Janzen (Regents Office)

[In these minutes: Resolution on the budget; report on departmental balances; report on University College planning]

1. Resolution on the Budget

Professor Rubenstein convened the meeting at 3:15 and announced there were three items on the agenda: a draft resolution concerning the budget, the report on balances, and a report from Vice President Allen on the development of the University College concept.

Committee members turned their attention to the draft resolution and discussed a number of editorial revisions. The crux of the resolution, pointed out one Committee member, lie in its call to not make cuts in order the create the Strategic Investment Pool [SIP]--to be used for things not yet planned for. The President was quoted in the St. Paul papers as saying that the cuts will require layoffs, although there will not be program closings; there was no caveat about not making these cuts before the development of strategic plans. This is something the Committee has been very concerned about; should it say it is opposed to cuts? Did a majority of the Committee oppose cuts in order to create the SIP?

One Committee member said it was his sense that the Committee was not prepared to endorse the President's budget proposal but that it was also not prepared to oppose it. It questioned the plan, and said there could be serious adverse consequences.

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One possibility, said another, would be for the Committee to say that insofar as possible, any retrenchments in 1994-95 should be as informed as possible by, and consistent with, strategic plans. There will be SOME level of information available about directions when budget decisions must be made. Another Committee member argued that that becomes a self-fulfilling prophecy and the Committee is not prepared to endorse the possibility. The draft resolution already acknowledges that cuts will be made; the question is a matter of timing. If the cuts will be made in advance of the full implementation of the planning cycle, the Committee should assert those cuts should be informed by planning to the extent possible. That has been the Committee's position all along; it's just that planning isn't as far along as it could be.

The language of the resolution, said one Committee member, grudgingly accepts a little retrenchment but warns that if it is imposed in a heavy-handed way, it will do more damage than any good to be accomplished by the SIP. That is a better position, said another Committee member--it gives a little to avoid a lot. The University can retrench a small amount without doing great harm, but if it does more, it must be very careful. Any retrenchment, it was pointed out, comes on top of a series of earlier retrenchments.

The language of the resolution about fully funding the budget, it was said, is intended to say that if the revenues projected in the budget recommendation do not materialize, the SIP should be cut rather than imposing a deeper retrenchment.

The Committee considered, and voted on, a motion to split one part of the resolution into two statements and to make therewith a strong statement in opposition to the cuts. The motion failed on a 5-5 vote. The Committee then unanimously adopted the following resolution:

Having reviewed the administration's recommendations for budget principles for 1994-95, the Senate Committee on Finance and Planning:

1. WELCOMES the recognition in the budget of price level increases for supplies and expenses and salary increases as necessary.
2. ACCEPTS the concept of a Strategic Investment Pool for implementation of the strategic plans of U2000, with the understanding that the principles for allocations as well as the allocations will be fully disclosed.
3. ENDORSES the allocation of the part of the tuition increase exceeding 3.0% to the Strategic Investment Pool, as student investment in the improvement of their own education.
4. ADVISES that the Strategic Investment Pool should be reduced if resources are not available to fund the administration's budget plan fully.
5. CAUTIONS that retrenchments can be counterproductive, damaging teaching and research even in those units ultimately

designated for added investment, if they are imposed before the U2000 plans establish the future direction of each unit.

2. Report on Balances

Professor Rubenstein next welcomed Mr. Robert Super from the Office of Budget and Finance to discuss the report on fund balances. Mr. Super began by explaining that he works for Associate Vice President Pfutzenreuter, who had been called into another meeting and was thus unable to be present.

The report distributed to Committee member, he said, represents a compilation of information, not analysis. He then walked through the series of overheads (graphs and tables) that will be presented to the Board of Regents at their meeting later in the month.

The importance of year-end balances was explained, both for departments and for the University as a whole. For the University, they are a source of investment earnings, they meet cash flow needs, and serve as a financial indicator for bond rating. For departments, they are a critical source of funds to deal with problems (inasmuch as there is no deficiency process and limited access to central funds), they are the primary method of financing equipment and repair needs (this expenditure category makes up about one-third of the total), and retention of balances is an incentive to manage efficiently. Overall, Mr. Super concluded, departments use balances in a rational way.

Mr. Super affirmed, in response to a question, that departments retain fund balances left at the end of the fiscal year. One Committee member pointed out that such balances might, however, revert to COLLEGE offices, depending on college policy. Mr. Super agreed that this policy only covers central reversion. He then reviewed the elements of University policy about fund balances (they do not revert to central accounts, they remain in each of the 40,000 fund-area-orgs, they are calculated at the end of each fiscal year, and interest earnings of 2.5% are paid on positive balances and interest charges of 5.5% are levied on negative balances).

Asked if temporary investment income was actually distributed last year, Mr. Paschke affirmed that it had been. Mr. Paschke also agreed with the observation that the policy on interest earnings and charges is a little more complicated than had been described.

The total fund balance of the University, for all activities, is \$1.868 billion dollars--but most of those will not be the subject of discussion. Of that total, 61% (\$1.1 billion) is in plant funds (e.g., buildings, etc.); endowments (not including the University Foundation) are another 20%, about \$368 million. (Foundation accounts would double the amount held in endowments, if counted here, Mr. Paschke reported.) Loan funds will also not be considered; the only balances to be reviewed are current balances, which amount to \$304 million or about 16% of the total.

Mr. Super agreed that many of the plant funds are not liquid but they are included in the total because from an accounting standpoint there is no difference; by including them, Mr. Paschke observed, the numbers correspond to the University's balance sheet. It was suggested that this be made clearer because as the report stands now, the media will report that the University has nearly \$2 billion in account balances. It was also noted that these balances do not include retirement funds.

Of the \$304 million in current funds, \$191 million are not restricted. The others are sponsored funds, such as for research or through ORTTA, or other restricted funds. Most of the unrestricted current funds are O+M funds with the balance in ICR, State Specials, Auxiliary Enterprises, and so on. Mr. Super then outlined the general categories of uses for these unrestricted current fund balances (including faculty set ups, capital reserves for equipment and repairs, debt service and proposed facilities, grant matches, inventories and accounts receivable, cash flow reserves, spend-down for ongoing operations, and other things). 33% of the total is for equipment and repairs and 32% is for cash flow reserves.

One troubling item is the 7% of the expenditures that are a spend-down for ongoing operations, Mr. Super commented. If departments are doing that, they either need a large reserve or one must ask where the funds will come from for next year. This is using one-time funds for ongoing commitments. One Committee member pointed out that departments, of necessity, will do such things as spend sabbatical money for secretarial support because they have no alternatives--it does occur, although it is not the right way to run a university.

Mr. Super then reviewed the units that have the largest balances; 8 units account for 65% of the balances while the other 44 account for the remainder. One question that should be asked about those numbers, it was said, was the relationship of the balances to the unit's budget.

What is needed, said one Committee member, is a policy discussion about these balances. They do raise questions, agreed Mr. Super, about appropriate levels and one can inquire if there are ways that the University's resources could be used more effectively. He also distributed a sample of how each unit's balances will be presented by his office to that unit.

It was noted by one Committee member that the numbers in the unit reports will not always be correct because of errors that occurred during 1991-92. There may have been items "recorded in strange places" when CUFS was not working as it should. This information will, however, be better and better in future years, Mr. Super said.

Professor Rubenstein thanked Mr. Super for his presentation. Mr. Pfutzenreuter expressed delight that the presentation was completed before he was able to join the meeting.

3. Discussion of University College

Professor Rubenstein then welcomed Vice President Allen to the meeting to discuss the draft report on University College. Dr. Allen apologized for the rough copy, noting that it had only been the previous day that it had been prepared for distribution.

The development of University College [hereinafter UC] can be seen as a four-stage process, from the President's initial vision to the development of concepts for a road map to the identification of details that had to be worked out to implementation. The final steps, Dr. Allen said, will likely require a full-time person.

Over the last few months he has become increasingly excited about what UC can mean for the University and the public it serves, Dr. Allen told the Committee. The document provided to the Committee is a conceptual framework and can be changed. One thing that is NOT here is the notion that

ALL University students on the Twin Cities campus would start in UC; the task force did not suggest that, and UC is intended to be system-wide. Unfortunately, there has also not been time to discuss UC with the coordinate campuses.

Asked how it was decided what was and was not appropriate for degree programs in UC, Dr. Allen said his view was to draw on the colleges and partnerships. The University should scan what is needed and determine if it has strengths and capacity to meet the need. In December there was interaction with vice presidents from a major local corporation; they want courses and degree programs for their employees that are not currently available. Part of what is needed, Dr. Allen said, is dependent on the market--but those needs are not always for degree programs; they are frequently courses or packages of courses available for people making a career change or who want to advance in their careers.

What else besides the market will drive the development of UC? Dr. Allen was asked. The University is legendary for its lack of focus, it was said; how will it be decided that the need is one the University should meet versus one that should be met by others? The task force discussions were of the view that the University should focus on its strengths--rather than look to the market and THEN develop strength. There needs to be a statement to that effect that is clear, said one Committee member.

My concern all along, said one Committee member, has to do with education versus training. One sees in this report a lot of training. For example, the partnerships are training for a job at a company rather than education. One need not necessarily object to the University providing training, but it does get to the question of certification versus degrees. When resources must be rationed, one can ask if they should be used for education or to meet the needs of employers. Perhaps the University should do the latter (i.e., meet the needs of employers), but that is less intellectual per se than is the USE of the intellectual element, and thus focuses more on specific training. If the University has excess capacity, this is less of a problem.

Dr. Allen said that he was troubled by the belief that a degree program such as the Bachelor of Applied Business was not educational. He said he believed there should be a liberal education component to all University degrees--and it should not be assumed it is not there because of the name of the degree. How does one differentiate, it was asked, between the intellectual focus of the collegiate programs and those that are more market-driven? They should become a seamless unit with a similar faculty in all, Dr. Allen said. That is attractive, it was then said. The problem is if UC facilitates an offering through a department rather than offering something because a college or department is unable or unwilling to offer it. That raises questions about why they will not. The question is then are degree programs offered by UC? Dr. Allen commented that the only degree programs envisioned as unique to UC are the experimental partnership degrees--and they are small in number compared to the others.

The U2000 plans included a cut of 2000 - 4000 students in CLA (in the President's report to the Board of Regents in late summer, 1993) and a corresponding increase in UC. That raises questions if the core should be cut in order to establish UC. CEE is a huge operation financially, Dr. Allen pointed out, and most of the income is from tuition and fees. UC should lead to closer integration of the colleges and CEE about what courses will be taught, when they are taught, and how students will be served. It is envisioned, Dr. Allen told the Committee, that the relationships between some colleges and UC could bring in MORE income on a regular basis to a department or college.

One important point not made in this report, it was said, is that with a lot of people getting fired or laid off, one way for them to re-enter the job market is to obtain a Master's degree or take courses that facilitate a job or career change. Dr. Allen concurred.

There are trends that push toward the creation of UC; in thinking about its long-term viability, what if those trends change? Will the University have a structure viable for the 21st century? We seem to accept the trends as unchangeable or uninfluenced by the University--but some University efforts, such as with the K-12 system, could help to reverse them. Has any thought been given to that possibility? Dr. Allen said that the task force read nothing, either about Minnesota or nationally, that suggests the need for adult education will decline; if anything, it will increase. The average individual will have 5 - 7 careers--not jobs--and those changes often require MORE education. That accords with the observation, added one Committee member, made somewhere that a university education prepares someone for their third job, not necessarily their first one.

One Committee member expressed a concern that with the CEE structure and the emphasis on practitioner-oriented programs, the desire for advanced liberal arts degrees will be ignored. The majority of UC activities will NOT be the partnerships, Dr. Allen responded, but the majority of its efforts will probably continue to involve the liberal arts faculty, just as now happens in CEE.

An attractive element of the report is seeing UC as a supporting or facilitating entity that offers counseling and registration and other services--but not instruction. There should be one registration system within a year, Dr. Allen said--a prediction that provoked some chuckles from Committee members. He agreed with the characterization of UC as supporting. He also said it needs a new name, although neither he nor the task was able to identify one--and they are half tempted to have an email contest to find a different name! The problem seems to be with the word "college."

There needs to be a process for assessment built into UC, one Committee member said, to find out six months and five years after they graduate about student satisfaction with their education.

Another Committee member said that alumni are underutilized in the recruitment process.

Discussion then turned to a chart in the report, the meaning of which was unclear. It attempted to categorize students in four ways: full-time day school students in the colleges, part-time day students in the colleges, partnership students, and "course takers" who are not seeking a degree. Details need to be worked out, including performance standards for those who walk up and take a course at the University; the University will need to establish performance standards for non-degree admitted students to continue to enroll in courses.

It is doubtful that services for part-time, adult, and partnership students will be provided when support units are driven to operate on the basis of efficiency. The administration will need to subsidize cafeterias and security--and unless those costs are attributed to UC, the rest of the University will subsidize those activities. Who will be charged to run Route 52 buses until 10:00 p.m.? Who will pay for increased lighting at night? UC will have to become involved in these or the services will close as a matter of cost-effectiveness. That could also be said of the Graduate School and all of these issues currently exist in CEE, Dr. Allen pointed out. By spreading instruction to evenings and weekends to a greater degree, support services will require higher subsidies per student or user because of the numbers

involved, it was argued--and day school will underwrite the subsidies unless steps are taken to prevent it. Will day time lunch customers be charged so restaurants can stay open later? This is a cost accounting problem as well as a provision-of-services problem.

There is a related question, said another Committee member. Is UC designed to get more students into the University, on nights and weekends? Or will there be the same number of students who will receive improved services? The number of students, including CEE enrollment, is projected to be approximately the same, Dr. Allen said. As the plans move ahead, it may be that more of the courses and services will not be provided on campus (e.g., in the case of distance education).

One is getting an image of UC students as those only interested in courses and nothing else about campus life, such as dorms or recreational sports. A residential college student looks for a lot more than courses. That may describe the hard-working adult student, Dr. Allen said. The University has a lot of part-time day students who are NOT traditional students--who may take some day school courses and some through CEE. But they may not participate in the life of the University, it was said. Intramurals, Dr. Allen observed, has a very high participation rate even among commuter students.

The questions are pertinent, he told the Committee, because part-time students are not just evening and weekend students. Are the services needed for them different from what is offered to residential students? He said it is not clear that the question breaks along the full-time/part-time versus course-takers dichotomy. That is why, he said, that he visualizes a more seamless relationship between day and evening students. Departments might offer a course once later in the afternoon to accommodate both groups.

One Committee member said he had spent a good deal of time working on one of the partnership programs and said there are several issues involved, including the role of the faculty and the quality of the program delivered. There are also two premises involved: that some state-supported institution must serve the needs that exist and that in some colleges new markets and students must be found to support existing faculty. It was said that a quality education must be delivered to partnership students--CEE must monitor quality. UC must be legitimized in order to enhance CEE teaching. He had withdrawn from on UC partnership program because he was convinced the faculty would not monitor program quality. If the University is to be serious about these programs, it should consider creating a separate unit where jobs will be dependent on the quality of the education. Who, asked another Committee member, is responsible for these operations? How will accountability be achieved?

Another Committee member inquired if any consideration had been given to tenure regulations. There will be a number of next steps but nothing is said about that. If courses are to be taught by regular faculty, someone must plan how tenure would be affected. "Teaching is teaching," responded Dr. Allen, who said he saw no implications for tenure. But if research, teaching, and service remain the primary obligations of faculty, there will not be a lot of faculty who will become involved in UC, it was maintained. There are currently significant numbers of regular faculty who teach in CEE on either an overload or inload basis.

Committee members raised questions about the accuracy of one graphic depicting the number of courses taught by, inter alia, TAs. An explanation is needed, it was said. Another graphic also raised questions that were resolved. Dr. Allen explained, in response to a question, that the departments or

colleges must sign off on who will teach courses. Some may not care, he said, and they MUST become more involved.

Does this proposal go after "ultimate inloading?" Dr. Allen was asked. If a student is told to take an evening course that should be offered during the day, and if there is to be one registration system, does that say that everything will be inloaded? If so, CEE fades away. CEE is the core of this service unit, Dr. Allen responded, and there are a number of issues in the air at the same time: workload, inloading and overload teaching, and tuition rates and revenue. Right now a student taking day and CEE courses needs to register in two different systems and pay two sets of tuition--all at the University of Minnesota Twin Cities. "Something strikes me as wrong about this," Dr. Allen commented.

In the U2000 documents much was made of raising admission standards for full-time day students, observed one Committee member. In this report there is no mention of admission standards. What relationship is there between the two? Will the same standards apply? Dr. Allen said there would be no difference in the degrees offered nor in the admission standards (although there are differences among the colleges in the treatment of students who have been out of school for a long period). But a University degree is a University degree, Dr. Allen concluded.

One Committee member urged that the Senate Committee on Educational Policy carefully consider this report. This Committee, meanwhile, should look more closely at the financial aspects of UC, it was said. Those are details, Dr. Allen said. But they raise questions about the whole process, it was said, and it cannot proceed until those details are known. The task force, Dr. Allen pointed out, was not charged to deal with those details. That is a key question in the next phase of UC planning, he said.

Professor Rubenstein then thanked Dr. Allen and agreed to refer the report to SCEP. He adjourned the meeting at 5:10.

[To close out a note from the previous minutes of the Committee: Mr. Paschke subsequently reported, apropos the possibility Social Security liability, that there could be some additional obligations for 1987 and 1988--but there could also end up being no obligation.]

-- Gary Engstrand

University of Minnesota